

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/15/2012
POSITION: Support
SPONSOR: Department of Transportation

BILL NUMBER: AB 2498
AUTHOR: Gordon, Richard

BILL SUMMARY: Department of Transportation: Alternative Project Delivery Method

This bill would authorize the Department of Transportation (Caltrans) to use an alternative project delivery method referred to as Construction Manager/General Contractor (CM/GC) for up to four projects. In addition, this bill defines "projects" as the construction of a tunnel, bridge, or highway.

This bill would require Caltrans to report to the Legislature no later than July 1 of each year during which the CM/GC project delivery method is utilized.

FISCAL SUMMARY

Based on information from Utah's Department of Transportation's 2009 Annual Report, Utah experienced a 59 percent reduction in change orders and cost-overruns with the CM/GC method. Furthermore, CM/GC project bids were 6 percent lower than state average prices. Caltrans' public works projects range in size from \$25 million to \$100 million or more and change order rates vary between 5 to 10 percent. Caltrans estimates, based on Utah's experience, potential cost savings of \$1 million to \$4 million could be realized per project using the CM/GC method. Therefore, this bill could result in \$4 million to \$16 million in State Highway Account (SHA) savings. These SHA cost savings would come from earlier completion of projects and a reduction in change orders.

This bill requires specified information to be verified under oath, thus expanding the scope of an existing crime. However, any additional costs would not be reimbursable because it would be a result of an expansion of a crime. The bill contains an appropriate "crimes and infractions" cost disclaimer.

COMMENTS

The Department of Finance supports this bill because it is consistent with the Administration's policy of making state government more efficient and would result in potential cost savings to the SHA.

Existing law sets forth the requirements for the solicitation and evaluation of bids and the awarding of contracts by state agencies for the construction, alteration, repair, or improvement of any public structure, building, road, or other public improvement.

This bill would authorize Caltrans to engage in a CM/GC project delivery method for the construction of highways, bridges, or tunnels with at least three of those projects having construction costs greater than \$10 million. This bill would require the department to submit a report, as specified, no later than July 1 of each year during which any project using the CM/GC method is underway and no later than July 1 of the year after any project using the CM/GC method has been completed.

The primary advantage of the CM/GC method is the minimization of uncertainty for the construction contractor because the design is fully completed. CM/GC represents an increased emphasis on better

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AB 2498

COMMENTS (continued)

communication among all involved parties. Early collaboration and coordination in the design phase of a public works project could potentially mitigate the risks of change orders and delays.

	SO	(Fiscal Impact by Fiscal Year)							
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP					Fund		
Type	RV	98	FC	2012-2013	FC	2013-2014	FC	2014-2015	Code
2660/Caltrans	SO	No		----	See Fiscal Summary	----			0042
<u>Fund Code</u>	<u>Title</u>								
0042	Highway Account, State, STF								